

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. No.: 1113-03  
Bill No.: SB 604  
Subject: Fire Protections; Firearms and Fireworks; Insurance Dept.; Public Safety;  
 Taxation and Revenue - Sales and Use  
Type: Original  
Date: April 10, 2001

**FISCAL SUMMARY**

<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
General Revenue	(\$234,132)	(\$963,000)	(\$963,000)
Fire Education Fund	\$0	\$0	\$0
Fire Ed. Trust Fund	\$0	\$0	\$0
Fire Dist. Equipment	\$0	\$0	\$0
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>(\$234,132)</b>	<b>(\$963,000)</b>	<b>(\$963,000)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
None			
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
FUND AFFECTED	FY 2002	FY 2003	FY 2004
<b>Local Government</b>	<b>\$170,833</b>	<b>\$663,000</b>	<b>\$663,000</b>

Numbers within parentheses: ( ) indicate costs or losses.

This fiscal note contains 7 pages.

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**FISCAL ANALYSIS**

ASSUMPTION

Officials of the **Department of Revenue (DOR)** state this legislation as worded would have the 1 1/2% sales tax collected on the sale of fireworks be local revenue and shall be deposited by the state treasurer into the fire district equipment fund.

In order for DOR to track the sales tax collected on consumer and special fireworks DOR will need to add a fireworks location on all of the sales tax returns. An additional location is needed since there are retailers whose primary business is not fireworks will sell them and will not be coded with the fireworks SIC code. DOR will have to send letters at a cost of \$34,000 to the registered accounts requesting information identifying themselves as sellers of fireworks. The MITS sales tax mainframe system will need to be changed to recognize a new item tax for fireworks. DOR will need 727 hours of programming at a cost of \$24,569. The State Data Center charges for testing and implement of this legislation would be \$4,730.

DOR states the legislation for Section 144.818 does not have an effective date. DOR suggests that the effective date be January 1, 2002, to allow for the mailing/notification to the retailers of the instructions and of the tax vouchers/returns. The effective date of January 1, 2002 would also eliminate additional printing costs by DOR for reinsurance of vouchers and returns.

As DOR indicated above, not all retailers are coded with DOR's system as fireworks sellers. However, of those that are coded as fireworks sellers, in Fiscal Year 2000 there was \$41,024,140.07 taxable sales of fireworks (after any adjustments) and \$1,191,067.13 state sales tax paid.

Officials from the **Office of Administration - Budget and Planning (BAP)** assumes their agency would determine the amount of revenue accruing to the general revenue fund from county foreign and county stock insurance taxes that would be transferred to the fire education fund.

**Fireworks sales tax**

41,000,000	FY-00 taxable fireworks sales in Missouri*
0.5%	Percentage earmark for FDEF
205,000	Amount to be deposited to the FDEF
83%	Discounted for August 28 effective date
170,833	Adjusted amount to be deposited to the FDEF

\*Source: Department of Revenue.

ASSUMPTION (continued)

**County Foreign and County Stock insurance**

151,400,000	Estimated County Foreign collections deposited to GR for FY-02
150,000	Estimated County Stock collections deposited to GR for FY-02
151,550,000	Total
0.5%	Percentage earmark for FEF
758,000	Amount to be transferred to the FEF

**Distribution of funds**

300,000	Amount of FEF to be used for fire education
458,000	Amount transferred to FDEF
758,000	

Source: FY-02 Executive Budget

Officials of the **Office of the Secretary of State (SOS)** assume this bill creates the Fire District Equipment Fund and removes liability for donated fire equipment. The Division of Fire Safety will promulgate rules to implement this bill. These rules will be published in both the *Missouri Register* and the *Code of State Regulations*. Based on experience with other divisions, the rules, regulations and forms issued by the Division of Fire Safety could require as many as 12 pages in the *Code of State Regulations*. For any given rule, roughly half again as many pages are published in the *Missouri Register* in the Code because cost statements, fiscal notes and the like are not repeated in the Code. These costs are estimated. The estimated cost of a page in the *Missouri Register* is \$23. The estimated cost of a page in the *Code of State Regulations* is \$27. The cost is estimated at \$810. The actual cost could be more or less than the numbers given. The impact of this legislation in future years is unknown and depends upon the frequency and length of rules filed, amended, rescinded or withdrawn.

**Oversight** assumes the SOS could absorb the costs of printing and distributing regulations related to this proposal. If multiple bills pass which require the printing and distribution of regulations at substantial costs, the SOS could request funding through the appropriations process. Any decisions to raise fees to defray costs would likely be made in subsequent fiscal years.

Officials from the **Department of Public Safety, Division of Fire Safety (DFS)** did not respond to our fiscal note request. However, in response to SCS for SB 197, DFS stated that many volunteer fire departments are not able to purchase new or used equipment due to budget limitations and that this legislation would provide a donation program where other fire departments could donate used equipment to those departments in need. The DFS assumes they or their designee would ensure that the donated equipment would work properly. The DFS assumes this proposal would not have a fiscal impact on their agency.

ASSUMPTION (continued)

Officials from the **Office of the State Treasurer (STO)** assume this bill would have no fiscal impact on their agency.

**This proposal would result in a decrease in Total State Revenues.**

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<b>GENERAL REVENUE FUND</b>			
<u>Loss - Fireworks sales tax</u>			
Sales tax on fireworks	(\$170,833)	(\$205,000)	(\$205,000)
<u>Transfer - Premium tax</u>			
Premium tax to Fire Education Fund	\$0	(\$758,000)	(\$758,000)
<u>Costs - Department of Revenue</u>			
Programming costs	(\$29,299)	\$0	\$0
Postage	(\$34,000)	\$0	\$0
Total costs - DOR	<u>(\$63,299)</u>	<u>\$0</u>	<u>\$0</u>
<b>ESTIMATED NET EFFECT ON GENERAL REVENUE FUNDS</b>	<b><u>(\$234,132)</u></b>	<b><u>(\$963,000)</u></b>	<b><u>(\$963,000)</u></b>
<b>FIRE EDUCATION FUND</b>			
<u>Income - Transfer from General Revenue</u>			
	\$0	\$758,000	\$758,000
<u>Cost - Transfer to Fire District Equipment Fund</u>			
	\$0	(\$458,000)	(\$458,000)
<u>Cost - Transfer to Fire Education Trust Fund</u>			
	<u>\$0</u>	<u>(\$300,000)</u>	<u>(\$300,000)</u>
<b>ESTIMATED NET EFFECT ON FIRE EDUCATION FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>

<u>FISCAL IMPACT - State Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<b>FIRE EDUCATION TRUST FUND</b>			
Income - Transfers from Fire Education Fund	\$0	\$300,000	\$300,000
Cost - Appropriations for Fire Education Programs	<u>\$0</u>	<u>(\$300,000)</u>	<u>(\$300,000)</u>
<b>ESTIMATED NET EFFECT ON FIRE EDUCATION TRUST FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>FIRE DISTRICT EQUIPMENT FUND</b>			
Income - Fireworks sales tax	\$170,833	\$205,000	\$205,000
Transfer - Fire Education Fund	<u>\$0</u>	<u>\$458,000</u>	<u>\$458,000</u>
Total Income - FDEF	\$170,833	\$663,000	\$663,000
Cost - Missouri Fire Education Commission (Local Fire Dist. Grants)	<u>(\$170,833)</u>	<u>(\$663,000)</u>	<u>(\$663,000)</u>
<b>ESTIMATED NET EFFECT ON FIRE DISTRICT EQUIPMENT FUND</b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>	<b><u>\$0</u></b>
<b>ESTIMATED NET EFFECT ON ALL STATE FUNDS</b>	<b><u>(\$234,132)</u></b>	<b><u>(\$963,000)</u></b>	<b><u>(\$963,000)</u></b>
<u>FISCAL IMPACT - Local Government</u>	FY 2002 (10 Mo.)	FY 2003	FY 2004
<u>Income</u> - Fire Districts			
Transfer from Fire District Equip. Fund	\$170,833	\$663,000	\$663,000
<b>ESTIMATED NET EFFECT ON LOCAL POLITICAL SUBDIVISIONS</b>	<b><u>\$170,833</u></b>	<b><u>\$663,000</u></b>	<b><u>\$663,000</u></b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This act creates a rate of one-half of one percent statewide sales tax on consumer and special fireworks. The moneys collected from the sales tax will be transferred by the Director of Revenue into the Fire District Equipment Fund (Section 320.094, RSMo).

This act also allows immunity for any donated fire equipment provided:

- (1) The State Fire Marshal approves the equipment;
- (2) Any donated motor vehicle passes inspection;
- (3) The receiving agency demonstrates the equipment works properly; and
- (4) Donor agencies inform receiving agencies of any defects.

Currently, immunity relating to donated fire equipment is limited to "used personal protection equipment" and "fire protection clothing". This portion of the act is identical to SB 197 (2001).

This act also transfers 5/10 of one percent (.005) of the premium taxes collected from insurance companies into the Fire Education Fund. The amount placed into the fund cannot exceed \$1,500,000 in a fiscal year. The money in the Fire Education Fund will be distributed in the following manner:

- (1) The first \$300,000 will be used for fire education;
- (2) The next \$500,000 and moneys collected from the consumer and special fireworks sales tax will be transferred into the Fire District Equipment Fund;
- (3) Any additional funds will remain in the Fire Education Fund for fire education purposes.

Current law requires forty percent of the moneys transferred to the Fire Education Fund be transferred to the Missouri Fire Education Trust Fund before any distribution occurs.

The Fire District Equipment Fund will help fire protection districts or volunteer fire protection associations serving an area with a population of less than ten thousand purchase equipment.

DESCRIPTION (continued)

The Fire Education Commission will annually prepare a plan for the intended use of the funds available.

The Division of Fire Safety, with the approval of the Fire Education Commission, may make direct grants to purchase equipment for any fire protection district or volunteer fire protection association serving an area with a population of less than ten thousand. Such grants may supplement other private or public sources. The Division has rule making authority for processing grant requests. This portion of the act is similar to CCS for SCS for HB 1292 (2000).

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Revenue  
Office of Administration  
    Budget and Planning  
Department of Public Safety  
    Division of Fire Safety  
State Treasurer's Office  
Secretary of State



Jeanne Jarrett, CPA  
Director

April 10, 2001